

DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC  
Form N-CSR  
August 06, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-7460

Exact name of registrant as specified in charter:  
Delaware Investments Dividend & Income Fund, Inc.

Address of principal executive offices:

2005 Market Street  
Philadelphia, PA 19103

Name and address of agent for service:

Richelle S. Maestro, Esq.  
2005 Market Street  
Philadelphia, PA 19103

Registrant's telephone number, including area code: (800) 523-1918

Date of fiscal year end: November 30

Date of reporting period: May 31, 2004

Item 1. Reports to Stockholders

CLOSED END

Delaware  
Investments (SM)

-----  
A member of Lincoln Financial Group(R)

Semiannual Report MAY 31, 2004  
-----

DELAWARE INVESTMENTS  
DIVIDEND AND INCOME FUND, INC.

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[LOGO] POWERED BY RESEARCH. (SM)

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Funds are not FDIC insured and are not guaranteed. It is possible to lose the principal amount invested.

Mutual fund advisory services provided by Delaware Management Company, a series of Delaware Management Business Trust, which is a registered investment advisor.

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STATEMENT  
OF NET ASSETS

DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.  
May 31, 2004 (Unaudited)

|  | Number of<br>Shares | Market<br>Value |
|--|---------------------|-----------------|
| COMMON STOCK - 77.30%                  |                     |                 |
| Automobiles & Automotive Parts - 2.57% |                     |                 |
| General Motors                         | 39,900              | \$ 1,811,061    |
| Goodrich (B.F.)                        | 76,400              | 2,141,492       |
|  |                     | -----           |
|  |                     | 3,952,553       |
|  |                     | -----           |
| Banking, Finance & Insurance - 15.27%  |                     |                 |
| *American Home Mortgage Investment     | 102,000             | 2,601,000       |

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|  |         |            |
|--|---------|------------|
| Bank of America                            | 34,100  | 2,834,733  |
| +++Fieldstone Investments 144A             | 100,000 | 1,725,000  |
| *Friedman Billings Ramsey Group Class A    | 98,995  | 1,930,403  |
| J.P. Morgan Chase                          | 44,700  | 1,646,748  |
| MBNA                                       | 108,100 | 2,745,740  |
| Mellon Financial                           | 85,100  | 2,505,344  |
| Morgan Stanley                             | 57,300  | 3,066,122  |
| ++Sunset Financial Resources               | 97,900  | 1,021,097  |
| Wells Fargo                                | 41,900  | 2,463,720  |
| XL Capital Limited Class A                 | 13,000  | 970,450    |
|  |         | -----      |
|  |         | 23,510,357 |
|  |         | -----      |
| Cable, Media & Publishing - 0.12%          |         |            |
| ++XM Satellite Radio Class A               | 7,503   | 188,926    |
|  |         | -----      |
|  |         | 188,926    |
|  |         | -----      |
| Chemicals - 2.59%                          |         |            |
| Dow Chemical                               | 100,000 | 3,990,000  |
|  |         | -----      |
|  |         | 3,990,000  |
|  |         | -----      |
| Computers & Technology - 2.44%             |         |            |
| ++Intuit                                   | 50,700  | 1,986,426  |
| Pitney Bowes                               | 40,000  | 1,773,200  |
|  |         | -----      |
|  |         | 3,759,626  |
|  |         | -----      |
| Consumer Products - 1.19%                  |         |            |
| Procter & Gamble                           | 17,000  | 1,832,940  |
|  |         | -----      |
|  |         | 1,832,940  |
|  |         | -----      |
| Electronics & Electrical Equipment - 2.29% |         |            |
| Emerson Electric                           | 25,000  | 1,492,500  |
| General Electric                           | 65,100  | 2,025,912  |
|  |         | -----      |
|  |         | 3,518,412  |
|  |         | -----      |
| Energy - 4.27%                             |         |            |
| ChevronTexaco                              | 28,000  | 2,531,200  |
| Exxon Mobil                                | 40,000  | 1,730,000  |
| Kerr-McGee                                 | 45,300  | 2,231,025  |
| ++Petroleum Geo-Services ADR               | 1,989   | 73,202     |
|  |         | -----      |
|  |         | 6,565,427  |
|  |         | -----      |
| Food, Beverage & Tobacco - 6.87%           |         |            |
| Anheuser-Busch                             | 49,900  | 2,658,173  |
| General Mills                              | 58,900  | 2,712,345  |
| Kellogg                                    | 61,500  | 2,607,600  |
| PepsiCo                                    | 48,600  | 2,593,782  |
|  |         | -----      |
|  |         | 10,571,900 |
|  |         | -----      |
| Healthcare & Pharmaceuticals - 5.73%       |         |            |
| Abbott Laboratories                        | 35,000  | 1,442,350  |
| ++Hospira                                  | 3,500   | 89,740     |
| Merck & Co.                                | 30,800  | 1,456,840  |
| Pfizer                                     | 59,400  | 2,099,196  |
| ++Tenet Healthcare                         | 177,400 | 2,114,608  |

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|                                     |           |              |
|-------------------------------------|-----------|--------------|
| Wyeth                               | 45,100    | 1,623,600    |
|                                     |           | -----        |
|                                     |           | 8,826,334    |
|                                     |           | -----        |
|                                     | Number of | Market       |
|                                     | Shares    | Value        |
| COMMON STOCK (continued)            |           |              |
| Investment Companies - 1.57%        |           |              |
| *Gladstone Capital                  | 120,300   | \$ 2,418,030 |
|                                     |           | -----        |
|                                     |           | 2,418,030    |
|                                     |           | -----        |
| Paper & Forest Products - 1.88%     |           |              |
| International Paper                 | 40,000    | 1,677,200    |
| Weyerhaeuser                        | 20,000    | 1,209,600    |
|                                     |           | -----        |
|                                     |           | 2,886,800    |
|                                     |           | -----        |
| Real Estate - 23.76%                |           |              |
| AMB Property                        | 65,600    | 2,168,080    |
| Apartment Investment & Management   | 55,200    | 1,594,176    |
| BRE Properties Class A              | 40,900    | 1,415,140    |
| Camden Property Trust               | 16,300    | 761,373      |
| Duke Realty                         | 87,000    | 2,815,320    |
| Equity Office Properties Trust      | 95,800    | 2,581,810    |
| General Growth Properties           | 113,538   | 3,335,746    |
| Liberty Property Trust              | 62,470    | 2,491,928    |
| +++Medical Properties Trust 144A    | 35,000    | 350,000      |
| Pan Pacific Retail Properties       | 61,400    | 2,824,400    |
| Prentiss Properties Trust           | 76,272    | 2,516,976    |
| Ramco-Gershenson Properties         | 118,500   | 2,867,700    |
| Reckson Associates Realty           | 86,520    | 2,251,250    |
| Simon Property Group                | 92,500    | 4,770,225    |
| Starwood Hotels & Resorts Worldwide | 76,200    | 3,214,116    |
| Sun Communities                     | 16,600    | 613,868      |
|                                     |           | -----        |
|                                     |           | 36,572,108   |
|                                     |           | -----        |
| Retail - 0.21%                      |           |              |
| *++Kmart Holdings                   | 6,068     | 318,267      |
|                                     |           | -----        |
|                                     |           | 318,267      |
|                                     |           | -----        |
| Technology/Semiconductors - 1.38%   |           |              |
| Intel                               | 74,200    | 2,118,410    |
|                                     |           | -----        |
|                                     |           | 2,118,410    |
|                                     |           | -----        |
| Telecommunications - 2.09%          |           |              |
| Alltel                              | 63,500    | 3,215,005    |
|                                     |           | -----        |
|                                     |           | 3,215,005    |
|                                     |           | -----        |
| Utilities - 3.07%                   |           |              |
| Dominion Resources                  | 36,600    | 2,304,702    |
| FPL Group                           | 38,000    | 2,422,500    |
|                                     |           | -----        |

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|   |        |             |
|---|--------|-------------|
|   |        | 4,727,202   |
|   |        | -----       |
| TOTAL COMMON STOCK (cost \$101,151,024) |        | 118,972,297 |
|   |        | -----       |
| CONVERTIBLE PREFERRED STOCK - 6.84%     |        |             |
| Aerospace & Defense - 0.71%             |        |             |
| Northrop Grumman 7.25%                  | 10,500 | 1,093,050   |
|   |        | -----       |
|   |        | 1,093,050   |
|   |        | -----       |
| Banking, Finance & Insurance - 2.06%    |        |             |
| Chubb 7.00%                             | 15,000 | 416,850     |
| *National Australia Bank Units 7.875%   | 40,000 | 1,440,000   |
| Travelers Property Casualty 4.50%       | 32,200 | 768,292     |
| XL Capital 6.50%                        | 22,000 | 550,880     |
|   |        | -----       |
|   |        | 3,176,022   |
|   |        | -----       |
| Consumer Products - 1.50%               |        |             |
| Newell Financial Trust I 5.25%          | 52,600 | 2,307,825   |
|   |        | -----       |
|   |        | 2,307,825   |
|   |        | -----       |

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STATEMENT OF NET ASSETS (CONTINUED) DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

|  | Number of<br>Shares | Market<br>Value |
|--|---------------------|-----------------|
| CONVERTIBLE PREFERRED STOCK (continued)                  |                     |                 |
| Environmental Services - 0.76%                           |                     |                 |
| Allied Waste Industries 6.25%                            | 16,200              | \$ 1,169,478    |
|  |                     | -----           |
|  |                     | 1,169,478       |
|  |                     | -----           |
| Real Estate - 0.84%                                      |                     |                 |
| Crescent Real Estate 6.75%                               | 62,600              | 1,292,690       |
|  |                     | -----           |
|  |                     | 1,292,690       |
|  |                     | -----           |
| Telecommunications - 0.97%                               |                     |                 |
| Lucent Technologies Capital Trust I 7.75%                | 1,300               | 1,490,697       |
|  |                     | -----           |
|  |                     | 1,490,697       |
|  |                     | -----           |
| TOTAL CONVERTIBLE PREFERRED STOCK<br>(cost \$10,900,050) |                     | 10,529,762      |
|  |                     | -----           |
| PREFERRED STOCK - 6.73%                                  |                     |                 |
| Leisure, Lodging & Entertainment - 0.95%                 |                     |                 |

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|   |                     |            |
|---|---------------------|------------|
| WestCoast Hospitality Capital Trust 9.50%         | 58,000              | 1,466,240  |
|   |                     | -----      |
|   |                     | 1,466,240  |
|   |                     | -----      |
| Real Estate - 4.55%                               |                     |            |
| Equity Inns Series B 8.75%                        | 37,000              | 925,000    |
| LaSalle Hotel Properties 10.25%                   | 113,200             | 3,032,628  |
| Ramco-Gershenson Properties 9.50%                 | 40,000              | 1,061,000  |
| SL Green Realty 7.625%                            | 80,000              | 1,970,000  |
|   |                     | -----      |
|   |                     | 6,988,628  |
|   |                     | -----      |
| Utilities - 1.23%                                 |                     |            |
| Public Service Enterprise Group 10.25%            | 27,200              | 1,570,800  |
| TNP Enterprises PIK 14.50%                        | 2,841               | 328,802    |
|   |                     | -----      |
|   |                     | 1,899,602  |
|   |                     | -----      |
| TOTAL PREFERRED STOCK (cost \$9,927,972)          |                     | 10,354,470 |
|   |                     | -----      |
|   | Principal<br>Amount |            |
| CONVERTIBLE BONDS - 6.36%                         |                     |            |
| Automobiles & Automotive Parts - 0.26%            |                     |            |
| +Tower Automotive 144A 5.00% 8/1/04               | \$ 400,000          | 402,000    |
|   |                     | -----      |
|   |                     | 402,000    |
|   |                     | -----      |
| Computers & Technology - 0.35%                    |                     |            |
| +Mercury Interactive 144A 4.75% 7/1/07            | 550,000             | 544,500    |
|   |                     | -----      |
|   |                     | 544,500    |
|   |                     | -----      |
| Leisure, Lodging & Entertainment - 0.41%          |                     |            |
| *+Regal Entertainment Group 144A<br>3.75% 5/15/08 | 550,000             | 633,875    |
|   |                     | -----      |
|   |                     | 633,875    |
|   |                     | -----      |
| Miscellaneous - 0.23%                             |                     |            |
| +Tyco International Group 144A<br>2.75% 1/15/18   | 250,000             | 356,250    |
|   |                     | -----      |
|   |                     | 356,250    |
|   |                     | -----      |
| Real Estate - 1.10%                               |                     |            |
| Malan Realty Investors 9.50% 7/15/04              | 379,000             | 379,000    |
| Meristar Hospitality 9.50% 4/1/10                 | 1,100,000           | 1,318,625  |
|   |                     | -----      |
|   |                     | 1,697,625  |
|   |                     | -----      |
| Retail - 2.13%                                    |                     |            |
| +Gap 144A 5.75% 3/15/09                           | 1,825,000           | 2,842,438  |
| +Saks 144A 2.00% 3/15/24                          | 425,000             | 429,781    |
|   |                     | -----      |
|   |                     | 3,272,219  |
|   |                     | -----      |

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|  | Principal<br>Amount | Market<br>Value |
|--|---------------------|-----------------|
| CONVERTIBLE BONDS (continued)              |                     |                 |
| Telecommunications - 1.18%                 |                     |                 |
| +Nextel Partners 144A 1.50% 11/15/08       | \$ 800,000          | \$1,809,000     |
|  |                     | -----           |
|  |                     | 1,809,000       |
|  |                     | -----           |
| Transportation & Shipping - 0.13%          |                     |                 |
| +ExpressJet Holdings 144A 4.25% 8/1/23     | 200,000             | 193,000         |
|  |                     | -----           |
|  |                     | 193,000         |
|  |                     | -----           |
| Utilities - 0.57%                          |                     |                 |
| +Centerpoint Energy 144A 3.75% 5/15/23     | 800,000             | 884,000         |
|  |                     | -----           |
|  |                     | 884,000         |
|  |                     | -----           |
| TOTAL CONVERTIBLE BONDS (cost \$7,239,590) |                     | 9,792,469       |
|  |                     | -----           |
| BONDS - 32.84%                             |                     |                 |
| Aerospace & Defense - 0.24%                |                     |                 |
| Armor Holdings 8.25% 8/15/13               | 350,000             | 375,375         |
|  |                     | -----           |
|  |                     | 375,375         |
|  |                     | -----           |
| Automobiles & Automotive Parts - 0.50%     |                     |                 |
| *#+Advanced Accessory Holdings 144A        |                     |                 |
| 13.25% 12/15/11                            | 600,000             | 321,000         |
| Advanced Accessory Systems                 |                     |                 |
| 10.75% 6/15/11                             | 200,000             | 202,000         |
| *Collins & Aikman Products                 |                     |                 |
| 11.50% 4/15/06                             | 250,000             | 243,750         |
|  |                     | -----           |
|  |                     | 766,750         |
|  |                     | -----           |
| Banking, Finance & Insurance - 1.17%       |                     |                 |
| BF Saul 7.50% 3/1/14                       | 125,000             | 123,438         |
| Bluewater Finance 10.25% 2/15/12           | 325,000             | 334,750         |
| +Farmers Exchange Capital 144A             |                     |                 |
| 7.20% 7/15/48                              | 350,000             | 326,200         |
| +LaBranche 144A 11.00% 5/15/12             | 375,000             | 384,375         |
| Stena 9.625% 12/1/12                       | 425,000             | 478,125         |
| *+UGS 144A 10.00% 6/1/12                   | 150,000             | 158,250         |
|  |                     | -----           |
|  |                     | 1,805,138       |
|  |                     | -----           |
| Buildings & Materials - 0.99%              |                     |                 |
| +Aearo 144A 8.25% 4/15/12                  | 200,000             | 203,000         |
| Interface 10.375% 2/1/10                   | 350,000             | 390,250         |
| Interline Brands 11.50% 5/15/11            | 350,000             | 374,500         |
| +Lone Star Industries 144A 8.85% 6/15/05   | 300,000             | 313,530         |
| Standard Pacific 7.75% 3/15/13             | 250,000             | 250,000         |
|  |                     | -----           |
|  |                     | 1,531,280       |
|  |                     | -----           |

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|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Business Services - 0.20%             |           |           |
| Brickman Group 11.75% 12/15/09        | 275,000   | 314,875   |
|                                       |           | -----     |
|                                       |           | 314,875   |
|                                       |           | -----     |
| Cable, Media & Publishing - 4.09%     |           |           |
| +Atlantic Broadband Finance 144A      |           |           |
| 9.375% 1/15/14                        | 600,000   | 564,000   |
| *Charter Communications Holdings      |           |           |
| 10.75% 10/1/09                        | 1,175,000 | 1,028,125 |
| *CSC Holdings 10.50% 5/15/16          |           |           |
| 650,000                               |           | 736,125   |
| *Dex Media East 12.125% 11/15/12      |           |           |
| 325,000                               |           | 378,625   |
| +Echostar DBS 144A 5.75% 10/1/08      |           |           |
| 550,000                               |           | 540,375   |
| +Hollinger 144A 11.875% 3/1/11        |           |           |
| 200,000                               |           | 228,250   |
| *Lodgenet Entertainment 9.50% 6/15/13 |           |           |
| 425,000                               |           | 465,375   |
| PanAmSat 8.50% 2/1/12                 |           |           |
| 375,000                               |           | 421,875   |
| PEI Holdings 11.00% 3/15/10           |           |           |
| 400,000                               |           | 462,000   |
| Rogers Cablesystems 10.00% 3/15/05    |           |           |
| 500,000                               |           | 527,500   |

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STATEMENT DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.  
OF NET ASSETS (CONTINUED)

|   | Principal<br>Amount | Market<br>Value |
|---|---------------------|-----------------|
| BONDS (continued)                         |                     |                 |
| Cable, Media & Publishing (continued)     |                     |                 |
| +Sheridan Acquisition 144A 10.25% 8/15/11 | \$325,000           | \$ 342,875      |
| XM Satellite Radio 12.00% 6/15/10         | 525,000             | 590,625         |
|   |                     | -----           |
|   |                     | 6,285,750       |
|   |                     | -----           |
| Chemicals - 1.39%                         |                     |                 |
| *Huntsman International                   |                     |                 |
| 9.875% 3/1/09                             | 250,000             | 271,250         |
| 10.125% 7/1/09                            | 425,000             | 437,750         |
| *+Nalco 144A 8.875% 11/15/13              |                     |                 |
| 275,000                                   |                     | 288,750         |
| *Resolution Performance Products          |                     |                 |
| 8.00% 12/15/09                            | 300,000             | 309,750         |
| *+Rhodia 144A 8.875% 6/1/11               |                     |                 |
| 525,000                                   |                     | 404,250         |
| *[Check Mark]Solutia 6.72% 10/15/37       |                     |                 |
| 875,000                                   |                     | 424,375         |
|   |                     | -----           |
|   |                     | 2,136,125       |
|   |                     | -----           |
| Computers & Technology - 1.04%            |                     |                 |
| Activant Solutions 10.50% 6/15/11         |                     |                 |
| 225,000                                   |                     | 237,375         |
| *Amkor Technology 9.25% 2/15/08           |                     |                 |
| 400,000                                   |                     | 423,000         |
| *ChipPac International 12.75% 8/1/09      |                     |                 |
| 275,000                                   |                     | 301,125         |
| *Northern Telecom Capital                 |                     |                 |
| 7.875% 6/15/26                            | 400,000             | 348,000         |
| *+Stratus Technologies 144A               |                     |                 |
| 10.375% 12/1/08                           | 300,000             | 295,500         |
|   |                     | -----           |
|   |                     | 1,605,000       |



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|  |            |            |
|--|------------|------------|
| -----  |            |            |
| Consumer Products - 0.79%                        |            |            |
| *Hines Nurseries 10.25% 10/1/11                  | 200,000    | 214,000    |
| *Remington Arms 10.50% 2/1/11                    | 350,000    | 339,500    |
| +Samsonite 144A 8.875% 6/1/11                    | 300,000    | 304,500    |
| #+Town Sports International 144A                 |            |            |
| 11.00% 2/1/14                                    | 725,000    | 358,875    |
|  |            | -----      |
|  |            | 1,216,875  |
|  |            | -----      |
| Consumer Services - 0.38%                        |            |            |
| Alderwoods Group 12.25% 1/2/09                   | 475,000    | 527,250    |
| Corrections Corporation of America               |            |            |
| 9.875% 5/1/09                                    | 50,000     | 55,500     |
|  |            | -----      |
|  |            | 582,750    |
|  |            | -----      |
| Energy - 1.01%                                   |            |            |
| El Paso Production Holding 7.75% 6/1/13          | 550,000    | 522,500    |
| *+Hilcorp Energy/Finance 144A                    |            |            |
| 10.50% 9/1/10                                    | 400,000    | 439,000    |
| Petroleum Geo-Services                           |            |            |
| 8.00% 11/5/06                                    | 200,159    | 204,162    |
| 10.00% 11/5/10                                   | 374,909    | 386,156    |
|  |            | -----      |
|  |            | 1,551,818  |
|  |            | -----      |
| Environmental Services - 0.67%                   |            |            |
| +Geo 144A 11.00% 5/15/12                         | 400,000    | 407,000    |
| IESI 10.25% 6/15/12                              | 575,000    | 623,875    |
|  |            | -----      |
|  |            | 1,030,875  |
|  |            | -----      |
| Food, Beverage & Tobacco - 2.15%                 |            |            |
| B&G Foods 9.625% 8/1/07                          | 925,000    | 945,812    |
| Chiquita Brands International                    |            |            |
| 10.56% 3/15/09                                   | 450,000    | 491,063    |
| +Commonwealth Brands 144A                        |            |            |
| 10.625% 9/1/08                                   | 425,000    | 439,875    |
| +Gold Kist 144A 10.25% 3/15/14                   | 175,000    | 183,750    |
| +Le-Natures 144A 9.50% 6/15/13                   | 400,000    | 410,000    |
| National Beef Packing 10.50% 8/1/11              | 175,000    | 188,125    |
|  |            |            |
|  | Principal  | Market     |
|  | Amount     | Value      |
| BONDS (continued)                                |            |            |
| Food, Beverage & Tobacco (continued)             |            |            |
| PPC Escrow 9.25% 11/15/13                        | \$ 275,000 | \$ 287,375 |
| +Standard Commercial 144A                        |            |            |
| 8.00% 4/15/12                                    | 350,000    | 358,750    |
| [Check Mark]Venture Holdings Trust 12.00% 6/1/09 | 425,000    | 2,656      |
|  |            | -----      |
|  |            | 3,307,406  |
|  |            | -----      |
| Healthcare & Pharmaceuticals - 0.50%             |            |            |
| *+Ameripath 144A 10.50% 4/1/13                   | 400,000    | 404,000    |
| +Curative Health Services 144A                   |            |            |

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|  |           |           |
|--|-----------|-----------|
| 10.75% 5/1/11                            | 250,000   | 245,000   |
| *+VWR International 144A 8.00% 4/15/14   | 125,000   | 125,938   |
|  |           | -----     |
|  |           | 774,938   |
|  |           | -----     |
| Industrial Machinery - 0.36%             |           |           |
| *Foster Wheeler 6.75% 11/15/05           | 275,000   | 250,250   |
| +MAAX 144A 9.75% 6/15/12                 | 300,000   | 309,000   |
|  |           | -----     |
|  |           | 559,250   |
|  |           | -----     |
| Leisure, Lodging & Entertainment - 3.23% |           |           |
| Ameristar Casinos 10.75% 2/15/09         | 375,000   | 429,375   |
| +Aztar 144A 7.875% 6/15/14               | 700,000   | 705,249   |
| Felcor Lodging 10.00% 9/15/08            | 286,000   | 306,735   |
| Hard Rock Hotel 8.875% 6/1/13            | 275,000   | 279,125   |
| Herbst Gaming 10.75% 9/1/08              | 325,000   | 375,375   |
| +Herbst Gaming 144A 8.125% 6/1/12        | 625,000   | 629,688   |
| Mandalay Resort Group 10.25% 8/1/07      | 75,000    | 84,375    |
| Penn National Gaming 8.875% 3/15/10      | 400,000   | 430,000   |
| *Royal Caribbean Cruises 7.25% 3/15/18   | 450,000   | 432,000   |
| Station Casinos 6.50% 2/1/14             | 175,000   | 164,063   |
| +Warner Music Group 144A 7.375% 4/15/14  | 675,000   | 661,500   |
| Wheeling Island Gaming                   |           |           |
| 10.125% 12/15/09                         | 450,000   | 475,875   |
|  |           | -----     |
|  |           | 4,973,360 |
|  |           | -----     |
| Metals & Mining - 0.68%                  |           |           |
| AK Steel 7.75% 6/15/12                   | 350,000   | 308,000   |
| +Autocam 144A 10.875% 6/15/14            | 250,000   | 246,875   |
| +Ispat Inland 144A 9.75% 4/1/14          | 475,000   | 488,063   |
|  |           | -----     |
|  |           | 1,042,938 |
|  |           | -----     |
| Packaging & Containers - 1.32%           |           |           |
| *AEP Industries 9.875% 11/15/07          | 275,000   | 281,875   |
| *Consolidated Container 10.125% 7/15/09  | 375,000   | 331,875   |
| #+Consolidated Container 144A            |           |           |
| 10.75% 6/15/09                           | 375,000   | 281,250   |
| *Pliant 11.125% 9/1/09                   | 275,000   | 292,875   |
| *+Portola Packaging 144A 8.25% 2/1/12    | 375,000   | 315,000   |
| *Radnor Holdings 11.00% 3/15/10          | 300,000   | 259,500   |
| ^+Radnor Holdings 144A 7.92% 4/15/09     | 275,000   | 276,375   |
|  |           | -----     |
|  |           | 2,038,750 |
|  |           | -----     |
| Paper & Forest Products - 2.65%          |           |           |
| Abitibi-Consolidated 6.95% 12/15/06      | 275,000   | 282,962   |
| +Ainsworth Lumber 144A 6.75% 3/15/14     | 300,000   | 278,250   |
| Bowater 9.00% 8/1/09                     | 500,000   | 543,971   |
| *Buckeye Technologies 8.00% 10/15/10     | 450,000   | 420,750   |
| Fort James 7.75% 11/15/23                | 1,125,000 | 1,158,750 |
| *+Newark Group 144A 9.75% 3/15/14        | 450,000   | 427,500   |
| +Port Townsend Paper 144A                |           |           |
| 11.00% 4/15/11                           | 400,000   | 396,000   |
| Potlatch 12.50% 12/1/09                  | 475,000   | 571,037   |
|  |           | -----     |
|  |           | 4,079,220 |
|  |           | -----     |

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STATEMENT OF NET ASSETS (CONTINUED) DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

|   | Principal<br>Amount | Market<br>Value |
|---|---------------------|-----------------|
| BONDS (continued)                       |                     |                 |
| Real Estate - 0.45%                     |                     |                 |
| Tanger Properties                       |                     |                 |
| 7.875% 10/24/04                         | \$300,000           | \$ 304,500      |
| 9.125% 2/15/08                          | 350,000             | 385,875         |
|   |                     | -----           |
|   |                     | 690,375         |
|   |                     | -----           |
| Restaurants - 0.69%                     |                     |                 |
| [Check Mark]Avado Brands 9.75% 6/1/06   | 230,000             | 92,000          |
| Denny's 12.75% 9/30/07                  | 300,000             | 316,500         |
| +O'Charleys 144A 9.00% 11/1/13          | 375,000             | 386,250         |
| +VICORP Restaurants 144A 10.50% 4/15/11 | 275,000             | 273,625         |
|   |                     | -----           |
|   |                     | 1,068,375       |
|   |                     | -----           |
| Retail - 0.82%                          |                     |                 |
| *J Crew Operating 10.375% 10/15/07      | 485,000             | 487,425         |
| *Office Depot 10.00% 7/15/08            | 480,000             | 556,800         |
| Petco Animal Supplies 10.75% 11/1/11    | 195,000             | 221,325         |
|   |                     | -----           |
|   |                     | 1,265,550       |
|   |                     | -----           |
| Telecommunications - 1.69%              |                     |                 |
| Alaska Communications Systems           |                     |                 |
| 9.875% 8/15/11                          | 400,000             | 410,000         |
| *Centennial Cellular Operating          |                     |                 |
| 10.125% 6/15/13                         | 475,000             | 486,875         |
| *Cincinnati Bell 8.375% 1/15/14         | 275,000             | 247,500         |
| Citizens Communications 8.50% 5/15/06   | 75,000              | 80,097          |
| +Inmarsat Finance 144A 7.625% 6/30/12   | 175,000             | 173,688         |
| +iPCS Escrow 144A 11.50% 5/1/12         | 200,000             | 203,000         |
| MetroPCS 10.75% 10/1/11                 | 400,000             | 428,000         |
| *+Qwest Services 144A 13.50% 12/15/10   | 500,000             | 578,749         |
|   |                     | -----           |
|   |                     | 2,607,909       |
|   |                     | -----           |
| Textiles, Apparel & Furniture - 0.35%   |                     |                 |
| Warnaco 8.875% 6/15/13                  | 500,000             | 531,250         |
|   |                     | -----           |
|   |                     | 531,250         |
|   |                     | -----           |
| Transportation & Shipping - 1.28%       |                     |                 |
| Hornbeck Offshore Services              |                     |                 |
| 10.625% 8/1/08                          | 250,000             | 273,750         |
| *Kansas City Southern Railway           |                     |                 |
| 9.50% 10/1/08                           | 250,000             | 273,750         |
| Ocean Rig Norway 10.25% 6/1/08          | 325,000             | 323,375         |
| OMI 7.625% 12/1/13                      | 400,000             | 390,000         |
| Overseas Shipholding Group              |                     |                 |
| 8.25% 3/15/13                           | 175,000             | 188,344         |

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|   |         |           |
|---|---------|-----------|
| Seabulk International 9.50% 8/15/13     | 500,000 | 515,625   |
|   |         | -----     |
|   |         | 1,964,844 |
|   |         | -----     |
| Utilities - 4.20%                       |         |           |
| Avista 9.75% 6/1/08                     | 500,000 | 595,299   |
| Calpine                                 |         |           |
| 8.25% 8/15/05                           | 125,000 | 108,750   |
| *10.50% 5/15/06                         | 550,000 | 426,250   |
| *+Calpine 144A 8.75% 7/15/13            | 530,000 | 443,875   |
| Cogentrix Energy 8.75% 10/15/08         | 425,000 | 443,063   |
| *+Dynergy Holdings 144A 10.125% 7/15/13 | 900,000 | 958,499   |
| *Edison Mission Energy 9.875% 4/15/11   | 200,000 | 202,000   |
| El Paso Natural Gas 7.625% 8/1/10       | 200,000 | 203,000   |
| Elwood Energy 8.159% 7/5/26             | 160,202 | 161,804   |
| Midland Funding II 11.75% 7/23/05       | 160,377 | 165,991   |
| Midwest Generation 8.30% 7/2/09         | 500,000 | 500,000   |
| *+Midwest Generation 144A 8.75% 5/1/34  | 425,000 | 420,750   |

Principal Amount                      Market Value

BONDS (continued)

Utilities (continued)

|   |           |            |
|---|-----------|------------|
| [Check Mark]Mirant Americas Generation            |           |            |
| 7.625% 5/1/06                                     | \$400,000 | \$ 286,000 |
| +NRG Energy 144A 8.00% 12/15/13                   | 75,000    | 75,188     |
| Orion Power Holdings 12.00% 5/1/10                | 250,000   | 308,750    |
| PSEG Energy Holdings 7.75% 4/16/07                | 250,000   | 261,250    |
| Reliant Energy 9.50% 7/15/13                      | 250,000   | 266,250    |
| *Sonat 6.875% 6/1/05                              | 175,000   | 175,000    |
| Tennessee Gas Pipeline 8.375% 6/15/32             | 350,000   | 339,500    |
| [Check Mark]+USGen New England 144A 7.459% 1/2/15 | 250,000   | 106,250    |
|   |           | -----      |
|   |           | 6,447,469  |
|   |           | -----      |

TOTAL BONDS (cost \$50,876,190) 50,554,245

MUNICIPAL BONDS - 0.14%

|                                    |         |         |
|------------------------------------|---------|---------|
| New Jersey Economic Development    |         |         |
| Authority Special Facility Revenue |         |         |
| Continental Airlines Project       |         |         |
| 6.25% 9/15/29                      | 300,000 | 220,026 |
|                                    |         | -----   |

TOTAL MUNICIPAL BONDS (cost \$254,498) 220,026

Number of Shares

|                  |     |       |
|------------------|-----|-------|
| WARRANTS - 0.00% |     |       |
| +++Solutia 144A  | 650 | 7     |
|                  |     | ----- |

TOTAL WARRANTS (cost \$55,294) 7

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|  | Principal<br>Amount | -----       |
|--|---------------------|-------------|
| U.S. TREASURY OBLIGATIONS - 6.27%  |                     |             |
| *[Solid Box]U.S. Treasury Bills 0.90% 7/22/04  | \$9,665,000         | 9,652,616   |
|  |                     | -----       |
| TOTAL U.S. TREASURY OBLIGATIONS<br>(cost \$9,652,616)  |                     | 9,652,616   |
|  |                     | -----       |
| TOTAL MARKET VALUE OF SECURITIES BEFORE<br>SECURITIES LENDING COLLATERAL - 136.48%<br>(cost \$190,057,234) |                     | 210,075,892 |
|  |                     | -----       |
| SECURITIES LENDING COLLATERAL - 12.93%   |                     |             |
| Abbey National   |                     |             |
| 1.10% 6/07/04  | 368,277             | 368,269     |
| 1.190% 10/15/04  | 340,467             | 349,048     |
| ABN AMRO Bank Chicago 1.07% 6/07/04  | 514,765             | 514,765     |
| ABN AMRO Bank Tokyo 1.10% 7/20/04  | 367,702             | 367,699     |
| Barclays 1.10% 8/19/04   | 559,003             | 558,930     |
| Bayerische Landesbank 1.154% 8/30/04   | 294,092             | 294,112     |
| CDC IXIS 1.485% 11/12/04   | 588,244             | 588,318     |
| Citibank 1.06% 7/06/04   | 588,317             | 588,318     |
| Citigroup Global Markets 1.04% 6/01/04   | 6,029,849           | 6,029,849   |
| Credit Suisse First Boston 1.60% 12/13/04  | 588,165             | 588,318     |
| Deutsche Bank Financial 1.33% 2/22/05  | 147,054             | 147,191     |
| Fortis Bank 1.10% 7/26/04  | 740,438             | 740,623     |
| General Electric Capital   |                     |             |
| 1.103% 10/25/04  | 250,143             | 250,424     |
| 1.118% 2/3/05  | 220,624             | 220,928     |
| 1.132% 10/04/04  | 220,649             | 220,831     |
| Goldman Sachs Group  |                     |             |
| 1.14% 7/20/04  | 588,290             | 588,318     |
| 1.245% 12/08/04  | 345,637             | 345,637     |
| ING Bank Geneva 1.10% 9/30/04  | 588,716             | 588,318     |
| ING Bank Singapore 1.06% 6/03/04   | 294,158             | 294,159     |

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STATEMENT OF NET ASSETS (CONTINUED) DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

|   | Principal<br>Amount | Market<br>Value |
|---|---------------------|-----------------|
| SECURITIES LENDING COLLATERAL (continued) |                     |                 |
| Marsh & McLennan 1.291% 6/15/04           | \$376,631           | \$ 377,422      |
| Merrill Lynch Mortgage Capital            |                     |                 |
| 1.163% 7/12/04                            | 588,318             | 588,318         |
| Morgan Stanley Dean Witter                |                     |                 |
| 1.22% 6/28/05                             | 147,079             | 147,079         |
| Rabobank 1.065% 3/02/05                   | 735,388             | 735,212         |
| Royal Bank of Scotland                    |                     |                 |
| 1.06% 7/02/04                             | 735,632             | 735,627         |

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|   |         |               |
|---|---------|---------------|
| Societe Generale New York<br>1.148% 12/08/04  | 588,207 | 588,207       |
| Societe Generale Singapore<br>1.06% 6/03/04   | 294,158 | 294,159       |
| Svenska Stockholm 1.10% 8/09/04   | 735,476 | 735,397       |
| Union Bank of Switzerland 1.13% 12/20/04  | 737,094 | 735,398       |
| Wachovia Bank NA 1.127% 11/15/04  | 588,332 | 588,571       |
| Wells Fargo Bank 1.04% 6/30/04  | 735,396 | 735,398       |
|   |         | -----         |
| TOTAL SECURITIES LENDING COLLATERAL<br>(cost \$19,904,843)  |         | 19,904,843    |
|   |         | -----         |
| TOTAL MARKET VALUE OF SECURITIES - 149.41%<br>(cost \$209,962,077)                                      |         | 229,980,735** |
| OBLIGATION TO RETURN SECURITIES<br>LENDING COLLATERAL - (12.93%)  |         | (19,904,843)  |
| COMMERCIAL PAPER PAYABLE<br>(PAR \$55,000,000) - (35.65%)   |         | (54,883,034)  |
| LIABILITIES NET OF RECEIVABLES AND<br>OTHER ASSETS - (0.83%)  |         | (1,272,974)   |
|   |         | -----         |
| NET ASSETS APPLICABLE TO 12,876,300 SHARES<br>OUTSTANDING; EQUIVALENT TO \$11.95<br>PER SHARE - 100.00% |         | \$153,919,884 |
|   |         | =====         |

COMPONENTS OF NET ASSETS AT MAY 31, 2004(a):

|  |               |
|--|---------------|
| Common stock, \$0.01 par value, 500,000,000<br>shares authorized to the Fund | \$170,660,039 |
| Treasury stock, 1,430,700 shares at cost                                     | (17,411,619)  |
| Accumulated net realized loss on investments                                 | (19,347,194)  |
| Net unrealized appreciation of investments                                   | 20,018,658    |
|  | -----         |
| Total net assets   | \$153,919,884 |
|  | =====         |

\*Fully or partially on loan.

\*\*Includes \$28,232,652 of securities loaned.

+Security exempt from registration under Rule 144A of the Securities Act of 1933. See Note 8 in "Notes to Financial Statements."

++Non-income producing security for the period ended May 31, 2004.

+++See Note 7 in "Notes to Financial Statements."

[Check Mark]Non-income producing security. Security is currently in default.

#Step coupon bond.

[Solid Box]U.S. Treasury bills are traded on a discount basis; the interest rate shown is the effective yield at the time of purchase by the Fund.

^Variable Rate Notes - the interest rate shown is the rate as of May 31, 2004.

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(a) See Note 4 in "Notes to Financial Statements."

## SUMMARY OF ABBREVIATIONS:

ADR - American Depositary Receipts

PIK - Pay-in-kind

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|                            |  |
|----------------------------|--|
| STATEMENT<br>OF OPERATIONS | DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.<br>Six Months Ended May 31, 2004 (Unaudited) |
|----------------------------|--|

### INVESTMENT INCOME:

|                           |             |
|---------------------------|-------------|
| Dividends                 | \$2,100,303 |
| Interest                  | 2,740,350   |
| Securities lending income | 15,892      |
|                           | -----       |

### EXPENSES:

|  |         |
|--|---------|
| Management fees                        | 584,553 |
| Commercial paper fees                  | 68,719  |
| Accounting and administration expenses | 53,141  |
| Legal and professional fees            | 28,042  |
| Reports to shareholders                | 25,700  |
| Transfer agent fees                    | 24,234  |
| Taxes (other than taxes on income)     | 7,640   |
| NYSE fees                              | 7,443   |
| Directors' fees                        | 6,520   |
| Custodian fees                         | 3,960   |
| Other                                  | 7,821   |
|  | -----   |

Total operating expenses (before interest expense)

Interest expense

Total operating expenses (after interest expense)

Less expenses paid indirectly

Total expenses

### NET INVESTMENT INCOME

### NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCIES:

Net realized gain (loss) on:

Investments

Foreign currencies

Net realized gain

Net change in unrealized appreciation/depreciation of investments

### NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND FOREIGN CURRENCIES

### NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

See accompanying notes

6

STATEMENTS OF CHANGES IN NET ASSETS DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

|  | Six M<br>End<br>5/31<br>(Unau |
|--|-------------------------------|
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:                                 |                               |
| Net investment income  | \$ 3,71                       |
| Net realized gain (loss) on investments and foreign currencies                     | 4,80                          |
| Net change in unrealized appreciation/depreciation of investments                  | 98                            |
|  | -----                         |
| Net increase in net assets resulting from operations                               | 9,50                          |
|  | -----                         |
| DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS FROM(1):                               |                               |
| Net investment income  | (3,97                         |
| Return of capital  | (2,20                         |
|  | -----                         |
|  | (6,18                         |
|  | -----                         |
| NET INCREASE IN NET ASSETS   | 3,32                          |
| NET ASSETS:  |                               |
| Beginning of period  | 150,59                        |
|  | -----                         |
| End of period (there is no undistributed net investment income at each period end) | \$153,91                      |
|  | =====                         |

(1) See Note 4 in "Notes to Financial Statements."

See accompanying notes

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STATEMENT OF CASH FLOWS DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.  
Six Months Ended May 31, 2004 (Unaudited)

NET CASH PROVIDED BY OPERATING ACTIVITIES:



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|   |                |
|---|----------------|
| Net increase in net assets resulting from operations  | \$ 9,505,974   |
| -----   |                |
| Adjustments to reconcile net increase in net assets from operations to cash provided by operating activities: |                |
| Amortization of premium and discount on investments   | (150,711)      |
| Net proceeds from investment transactions   | 1,870,397      |
| Net realized gain from investment transactions  | (4,806,615)    |
| Net realized loss on foreign currencies   | 2,299          |
| Change in net unrealized appreciation/depreciation of investments   | (982,141)      |
| Decrease in receivable for investments sold   | 66,738         |
| Decrease in interest and dividends receivable   | 314,439        |
| Decrease in distribution payable  | (1,030,173)    |
| Increase in payable for investments purchased   | 374,386        |
| Increase in interest payable  | 6,882          |
| Increase in accrued expenses and other liabilities  | 76,834         |
| -----   |                |
| Total adjustments   | (4,257,665)    |
| -----   |                |
| Net cash provided by operating activities   | 5,248,309      |
| -----   |                |
| CASH FLOWS USED FOR FINANCING ACTIVITIES:   |                |
| Cash provided by issuance of commercial paper   | 137,664,372    |
| Cash used to liquidate commercial paper   | (137,686,361)  |
| Cash dividends and distributions paid   | (6,181,007)    |
| -----   |                |
| Net cash used for financing activities  | (6,202,996)    |
| -----   |                |
| Effect of exchange rates on cash  | (2,299)        |
| -----   |                |
| Net decrease in cash  | (956,986)      |
| Cash (overdraft) at beginning of period   | (63,582)       |
| Cash (overdraft) at end of period   | \$ (1,020,568) |
| =====   |                |
| Cash paid for interest  | \$ 314,639     |
| =====   |                |

See accompanying notes

8

FINANCIAL  
HIGHLIGHTS

Selected data for each share of the Fund outstanding throughout each period were as follows:

|                                      |   |          |             |
|--------------------------------------|---|----------|-------------|
|                                      | -----<br>Delaware Investments Divide<br>----- |          |             |
|                                      | Six Months<br>Ended                           |          |             |
|                                      | 5/31/04(1)                                    | 11/30/03 | 11/30/02(4) |
|                                      | (Unaudited)                                   |          |             |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$11.700                                      | \$10.140 | \$11.630    |

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|  |           |           |           |
|--|-----------|-----------|-----------|
| INCOME (LOSS) FROM INVESTMENT OPERATIONS:                                      |           |           |           |
| Net investment income(5)   | 0.289     | 0.711     | 0.635     |
| Net realized and unrealized gain (loss) on investments and foreign currencies  | 0.441     | 1.989     | (0.650)   |
|  | -----     | -----     | -----     |
| Total from investment operations   | 0.730     | 2.700     | (0.015)   |
|  | -----     | -----     | -----     |
| LESS DIVIDENDS AND DISTRIBUTIONS FROM(6):                                      |           |           |           |
| Net investment income  | (0.309)   | (0.714)   | (0.660)   |
| Net realized gain on investments   | --        | --        | --        |
| Return of capital  | (0.171)   | (0.426)   | (0.815)   |
|  | -----     | -----     | -----     |
| Total dividends and distributions  | (0.480)   | (1.140)   | (1.475)   |
|  | -----     | -----     | -----     |
| NET ASSET VALUE, END OF PERIOD   | \$11.950  | \$11.700  | \$10.140  |
|  | =====     | =====     | =====     |
| MARKET VALUE, END OF PERIOD  | \$11.080  | \$11.840  | \$10.020  |
|  | =====     | =====     | =====     |
| TOTAL RETURN BASED ON:(2)  |           |           |           |
| Market value   | (2.58%)   | 30.20%    | (18.98%)  |
| Net asset value  | 6.33%     | 27.13%    | (2.36%)   |
| RATIOS AND SUPPLEMENTAL DATA:  |           |           |           |
| Net assets, end of period (000 omitted)  | \$153,920 | \$150,595 | \$130,560 |
| Ratio of expenses to average net assets  | 1.44%     | 1.63%     | 1.86%     |
| Ratio of expenses to adjusted average net assets (before interest expense) (3) | 0.77%     | 0.79%     | 0.80%     |
| Ratio of interest expense to adjusted average net assets(3)                    | 0.30%     | 0.37%     | 0.54%     |
| Ratio of net investment income to average net assets                           | 4.72%     | 6.70%     | 5.69%     |
| Ratio of net investment income to adjusted average net assets(3)               | 3.50%     | 4.78%     | 4.12%     |
| Portfolio turnover   | 101%      | 175%      | 107%      |
| LEVERAGE ANALYSIS:   |           |           |           |
| Debt outstanding (at par) at end of period (000 omitted)                       | \$55,000  | \$55,000  | \$55,000  |
| Average daily balance of debt outstanding (000 omitted)                        | \$54,901  | \$54,882  | \$54,857  |
| Average daily balance of shares outstanding (000 omitted)                      | 12,876    | 12,876    | 12,876    |
| Average debt per share   | \$4.264   | \$4.262   | \$4.260   |
| Asset coverage per \$1,000 of debt outstanding at end of period                | \$3,805   | \$3,743   | \$3,379   |

(1) Ratios and portfolio turnover have been annualized and total return has not been annualized.

(2) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purpose of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.

(3) Adjusted average net assets excludes debt outstanding.

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- (4) As required, effective December 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies that requires amortization of all premium and discounts on debt securities. The effect of this change for the year ended November 30, 2002 was a decrease in net investment income per share of \$0.025, an increase in net realized and unrealized gain (loss) per share of \$0.025, a decrease in the ratio of net investment income to average net assets of 0.22%, and a decrease in the ratio of net investment income to adjusted net assets of 0.16%. Per share data and ratios for the periods prior to December 1, 2001 have not been restated to reflect this change in accounting.
- (5) The average shares outstanding method has been applied for per share information.
- (6) See Note 4 in "Notes to Financial Statements."

See accompanying notes

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### NOTES TO FINANCIAL STATEMENTS

DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.  
May 31, 2004 (Unaudited)

Delaware Investments Dividend and Income Fund, Inc. (the "Fund") is organized as a Maryland corporation and is a diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The Fund's shares trade on the New York Stock Exchange under the symbol DDF.

The investment objective of the Fund is to seek high current income. Capital appreciation is a secondary objective.

#### 1. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are in accordance with U.S. generally accepted accounting principles and are consistently followed by the Fund.

Security Valuation -- Equity securities, except those traded on the Nasdaq Stock Market, Inc. (NASDAQ), are valued at the last quoted sales price as of the time of the regular close of the New York Stock Exchange (NYSE) on the valuation date. Securities traded on the NASDAQ are valued in accordance with the NASDAQ Official Closing Price, which may not be the last sales price. If on a particular day an equity security does not trade, then the mean between the bid and the asked prices will be used. U.S. government and agency securities are valued at the mean between the bid and asked prices. Long-term debt securities are valued by an independent pricing service and such prices are believed to reflect the fair value of such securities. Short-term debt securities having less than 60 days to maturity are valued at amortized cost, which approximates market value. Other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of the Fund's Board of Directors. In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures, or with respect to foreign securities, aftermarket trading or significant events after local market trading (e.g., government actions or pronouncements, trading volume or volatility on markets, exchanges among dealers, or news events).

Federal Income Taxes -- The Fund intends to continue to qualify for federal income tax purposes as a regulated investment company and make the requisite distributions to shareholders. Accordingly, no provision for federal income taxes has been made in the financial statements.

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Distributions -- The Fund has a managed distribution policy. Under the policy, the Fund declares and pays monthly distributions and is managed with a goal of generating as much of the distribution as possible from ordinary income (net investment income and short-term capital gains). The balance of the distribution then comes from long-term capital gains and if necessary, a return of capital. The current annualized rate is \$0.96 per share. The Fund continues to evaluate its monthly distribution in light of ongoing economic and market conditions and may change the amount of the monthly distributions in the future.

Borrowings -- The Fund issues short-term commercial paper at a discount from par. The discount is amortized as interest expense over the life of the commercial paper using the straight-line method (See Note 6).

Use of Estimates -- The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other -- Expenses common to all funds within the Delaware Investments Family of Funds are allocated amongst the funds on the basis of average net assets. Management fees and other expenses are paid monthly. Security transactions are recorded on the date the securities are purchased or sold (trade date). Costs used in calculating realized gains and losses on the sale of investment

securities are those of the specific securities sold. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Discounts and premiums are amortized to interest income over the lives of the respective securities. Distributions received from investments in Real Estate Investment Trusts are recorded as dividend income on ex-dividend date, subject to reclassification upon notice of the character of such distribution by the issuer.

Through March 31, 2004 certain expenses of the Fund were paid through commission arrangements with brokers. The amount of these expenses was approximately \$1,266 for the six months ended May 31, 2004. The expense paid under the above arrangement is included in "other" on the Statement of Operations with the corresponding expense offset shown as "expenses paid indirectly."

### 2. INVESTMENT MANAGEMENT, ADMINISTRATION AGREEMENTS AND OTHER TRANSACTIONS WITH AFFILIATES

In accordance with the terms of its investment management agreement, the Fund pays Delaware Management Company (DMC), a series of Delaware Management Business Trust and the investment manager, an annual fee of 0.55%, which is calculated daily based on the adjusted average weekly net assets.

The Fund has engaged Delaware Service Company, Inc. (DSC), an affiliate of DMC, to provide accounting and administration services. The Fund pays DSC a monthly fee computed at the annual rate of 0.05% of the Fund's adjusted average weekly net assets, subject to an annual minimum of \$85,000.

For purposes of the calculation of investment management fees and administration fees, adjusted average weekly net assets does not include the commercial paper liability.

At May 31, 2004, the Fund had liabilities payable to affiliates as follows:

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|   |          |
|---|----------|
| Investment management fee payable to DMC                                | \$93,938 |
| Accounting and administration fees<br>and other expenses payable to DSC | 47,795   |
| Other expense payable to DMC and affiliates*                            | 6,461    |

\*DMC, as part of its administration services, pays operating expenses on behalf of the Fund and is reimbursed on a periodic basis. Such expenses include items such as printing of shareholder reports, fees for audit, legal and tax services, stock exchange fees, custodian fees and directors fees.

As provided in the investment management agreement, the Fund bears the cost of certain legal services expenses, including in house legal services provided to the Fund by DMC employees. For the six months ended May 31, 2004, the Fund had costs of \$5,104.

Certain officers of DMC and DSC are officers and/or directors the Fund. These officers and directors are paid no compensation by the Fund.

### 3. INVESTMENTS

For the six months ended May 31, 2004, the Fund made purchases of \$103,477,139 and sales of \$109,420,798 of investment securities other than U.S. government securities and short-term investments.

At May 31, 2004, the cost of investments for federal income tax purposes has been estimated since the final tax characteristics cannot be determined until fiscal year end. At May 31, 2004, the cost of investments was \$190,038,925. At May 31, 2004, the net unrealized appreciation was \$20,036,967, of which \$27,634,358 related to unrealized appreciation of investments and \$7,597,391 related to unrealized depreciation of investments.

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## NOTES DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC. TO FINANCIAL STATEMENTS (CONTINUED)

### 4. DIVIDEND AND DISTRIBUTION INFORMATION

Income and long-term capital gain distributions are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. The tax character of dividends and distributions paid during the six months ended May 31, 2004 and year ended November 30, 2003 were as follows:

|                   | Six Months<br>Ended<br>5/31/04* | Year<br>Ended<br>11/30/03 |
|-------------------|---------------------------------|---------------------------|
|                   | -----                           | -----                     |
| Ordinary income   | \$3,979,884                     | \$9,189,360               |
| Return of capital | 2,201,123                       | 5,490,473                 |
|                   | -----                           | -----                     |
| Total             | \$6,181,007                     | \$14,679,833              |
|                   | =====                           | =====                     |

\*Tax information for the six months ended May 31, 2004 is an estimate and the tax character of dividends and distributions may be redesignated at fiscal year end.

The components of net assets for federal income tax purposes are estimated since final tax characteristics cannot be determined until fiscal year end. As of May 31, 2004, the estimated components of net assets on a tax basis were as follows:

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|  |               |
|--|---------------|
| Shares of beneficial interest          | \$153,248,420 |
| Capital loss carryforwards             | (19,365,503)  |
| Unrealized appreciation of investments | 20,036,967    |
|  | -----         |
| Net assets                             | \$153,919,884 |
|  | =====         |

The differences between book basis and tax basis components of net assets are primarily attributable to tax deferral of losses on wash sales and tax treatment of market discount and premium on debt instruments.

For financial reporting purposes, capital accounts and distributions to shareholders are adjusted to reflect the tax character of book/tax differences. For the six months ended May 31, 2004, the Fund recorded an estimate of these differences since the final tax characteristics cannot be determined until fiscal year end. Reclassifications are primarily due to tax treatment of gain (loss) on foreign currency transactions and market discount and premium on certain debt instruments. Results of operations and net assets were not affected by these reclassifications.

|                                     |             |
|-------------------------------------|-------------|
| Undistributed net investment income | \$2,463,789 |
| Accumulated realized gain (loss)    | (262,667)   |
| Paid in capital                     | (2,201,122) |

At November 30, 2003, for federal income tax purposes, the Fund had capital loss carryforwards of \$24,106,870 which may be carried forward and applied against future capital gains. Such capital loss carryforwards expire as follows: \$6,557,294 expires in 2009, \$15,759,675 expires in 2010 and \$1,789,901 expires in 2011.

For the six months ended May 31, 2004, the Fund had capital gains of \$4,741,367, which may be offset by the capital loss carryforwards.

### 5. CAPITAL STOCK

The Fund did not have any transactions in common shares during the six months ended May 31, 2004.

Shares issuable under the Fund's dividend reinvestment plan are purchased by the Fund's transfer agent, Mellon Investor Services, LLC, in the open market.

### 6. COMMERCIAL PAPER

As of May 31, 2004, \$55,000,000 (par value) of commercial paper was outstanding with an amortized cost of \$54,883,034. The weighted average discount rate of commercial paper outstanding at May 31, 2004, was 1.16%. The average daily balance of commercial paper outstanding during the six months ended May 31, 2004, was \$54,901,101 at a weighted discount rate of 1.16%. The maximum amount of commercial paper outstanding at any time during the six months was \$55,000,000. In conjunction with the issuance of the commercial paper, the Fund entered into a line of credit arrangement with J.P. Morgan Chase for \$30,000,000 with a scheduled termination date of January 6, 2005. Interest on borrowings is based on market rates in effect at the time of borrowing. The commitment fee is computed at the rate of 0.15% per annum on the unused balance. For the six months ended May 31, 2004, the Fund was charged a commitment fee of \$22,875, which is included in "commercial paper fees" on the Statement of Operations. During the six months ended May 31, 2004, there were no borrowings under this arrangement.

### 7. SECURITIES LENDING

The Fund, along with other funds in the Delaware Investments Family of Funds,

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may lend its securities pursuant to a security lending agreement (Lending Agreement) with J.P. Morgan Chase. Initial security loans made pursuant to the Lending Agreement are required to be secured by U.S. government obligations and/or cash collateral not less than 102% of the market value of the securities issued in the United States. With respect to each loan, if the aggregate market value of the collateral held on any business day is less than the aggregate market value of the securities which are the subject of such loan, the borrower will be notified to provide additional collateral not less than the applicable collateral requirements. Cash collateral received is invested in fixed-income securities, with a weighted average maturity not to exceed 90 days, rated in one of the top two tiers by Standard & Poor's Ratings Group or Moody's Investors Service, Inc. or repurchase agreements collateralized by such securities. However, in the event of default or bankruptcy by the lending agent, realization and/or retention of the collateral may be subject to legal proceedings. In the event the borrower fails to return loaned securities and the collateral received is insufficient to cover the value of the loaned securities and provided such collateral shortfall is not the result of investment losses, the lending agent has agreed to pay the amount of the shortfall to the Fund, or at the discretion of the lending agent, replace the loaned securities. The Fund continues to record dividends on the securities loaned and is subject to change in fair value of the securities loaned that may occur during the term of the loan. The Fund has the right under the Lending Agreement to recover the securities from the borrower on demand. The security lending agent and the borrower retain a portion of the earnings from the collateral investments. The Funds records security lending income net of such allocation.

At May 31, 2004, the market value of securities on loan was \$28,232,652 for which the Fund received securities collateral, comprised of U.S. government obligations valued at \$8,834,651 and cash collateral of \$19,904,843. Investments purchased with the cash collateral are presented on the Statement of Net Assets under the caption "Securities Lending Collateral."

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### NOTES

TO FINANCIAL STATEMENTS (CONTINUED)

DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

#### 8. CREDIT AND MARKET RISKS

The Fund invests in high-yield fixed income securities, which carry ratings of BB or lower by Standard & Poor's Ratings Group and Ba or lower by Moody's Investors Service, Inc. Investments in these higher yielding securities are generally accompanied by a greater degree of credit risk than higher rated securities. Additionally, lower rated securities may be more susceptible to adverse economic and competitive industry conditions than investment grade securities.

The Fund may invest up to 10% of its total assets in illiquid securities, which may include securities with contractual restrictions on resale, securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended, and other securities which may not be readily marketable. The relative illiquidity of these securities may impair the Fund from disposing of them in a timely manner and at a fair price when it is necessary or desirable to do so.

The Fund invests in real estate investment trusts (REITs) and is subject to some of the risks associated with that industry. If the Fund holds real estate directly as a result of defaults or receives rental income directly from real

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estate holdings, its tax status as a regulated investment company may be jeopardized. There were no direct holdings during the six months ended May 31, 2004. The Fund's REIT holdings are also affected by interest rate changes, particularly if the REITs it holds use floating rate debt to finance their ongoing operations.

### 9. CONTRACTUAL OBLIGATIONS

The Fund enters into contracts in the normal course of business that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts. Management has reviewed the Fund's existing contracts and expects the risk of loss to be remote.

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Delaware  
Investments (SM)

[Graphic Omitted]

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A member of Lincoln Financial Group (R)

This semiannual report is for the information of Delaware Investments Dividend and Income Fund, Inc. shareholders. The figures in this report represent past results which are not a guarantee of future results. The return and principal value of an investment in the Fund will fluctuate so that shares, when sold, may be worth more or less than their original cost.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may, from time to time, purchase shares of its Common Stock on the open market at market prices.

#### BOARD OF DIRECTORS

JUDE T. DRISCOLL  
Chairman  
Delaware Investments Family of Funds  
Philadelphia, PA

WALTER P. BABICH  
Board Chairman  
Citadel Construction Corporation  
King of Prussia, PA

JOHN H. DURHAM  
Private Investor  
Gwynedd Valley, PA

JOHN A. FRY  
President  
Franklin & Marshall College  
Lancaster, PA

ANTHONY D. KNERR  
Managing Director  
Anthony Knerr & Associates  
New York, NY

ANN R. LEVEN+  
Former Treasurer/Chief Fiscal Officer

#### AFFILIATED OFFICERS

JOSEPH H. HASTINGS  
Executive Vice President and  
Chief Financial Officer  
Delaware Investments Family of Funds  
Philadelphia, PA

RICHELLE S. MAESTRO  
Executive Vice President,  
Chief Legal Officer and Secretary  
Delaware Investments Family of Funds  
Philadelphia, PA

MICHAEL P. BISHOP  
Senior Vice President and Treasurer  
Delaware Investments Family of Funds  
Philadelphia, PA

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National Gallery of Art  
Washington, DC

THOMAS F. MADISON+  
President and Chief Executive Officer  
MLM Partners, Inc.  
Minneapolis, MN

JANET L. YEOMANS+  
Vice President/Mergers & Acquisitions  
3M Corporation  
St. Paul, MN

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YOUR REINVESTMENT OPTIONS

Delaware Investments Dividend and Income Fund, Inc. offers an automatic dividend reinvestment program. If you would like to reinvest dividends, and shares are registered in your name, contact Mellon Investor Services, LLC at 800 851-9677. You will be asked to put your request in writing. If you have shares registered in "street" name, contact the broker/dealer holding the shares or your financial advisor.

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A description of the policies and procedures that the Fund uses to determine how to vote proxies (if any) relating to portfolio securities is available without charge (i) upon request, by calling 800 523-1918; (ii) on the Fund's website at <http://www.delawareinvestments.com>; and (iii) on the Commission's website at <http://www.sec.gov>; and beginning no later than August 31, 2004, information (if any) regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge (i) through the Fund's website at <http://www.delawareinvestments.com>; and (ii) on the Commission's website at <http://www.sec.gov>.

+Audit Committee Member  
(8781)  
SA-DDF [5/04] IVES 7/04

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Item 2. Code of Ethics

Not applicable.

Item 3. Audit Committee Financial Expert

Not applicable.

Item 4. Principal Accountant Fees and Services

Not applicable.

Item 5. Audit Committee of Listed Registrants

Not applicable.

Item 6. [Reserved]

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies

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Not applicable.

Item 8. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers

Required only for periods ending on or after June 15, 2004.

Item 9. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 10. Controls and Procedures

The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures within 90 days of the filing of this report and have concluded that they are effective in providing reasonable assurance that the information required to be disclosed by the registrant in its reports or statements filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

There were no significant changes in the registrant's internal control over financial reporting that occurred during the registrant's last fiscal half-year that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 11. Exhibits

(a) (1) Code of Ethics

Not applicable.

(2) Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Rule 30a-2 under the Investment Company Act of 1940 are attached hereto as Exhibit 99.CERT.

(3) Written solicitations to purchase securities pursuant to Rule 23c-1 under the Securities Exchange Act of 1934.

Not applicable.

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are furnished herewith as Exhibit 99.906CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf, by the undersigned, thereunto duly authorized.

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NAME OF REGISTRANT: Delaware Investments Dividend & Income Fund, Inc.

JUDE T. DRISCOLL  
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By: Jude T. Driscoll  
Title: Chairman  
Date: 8/5/04

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

JUDE T. DRISCOLL  
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By: Jude T. Driscoll  
Title: Chairman  
Date: 8/5/04

JOSEPH H. HASTINGS  
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By: Joseph H. Hastings  
Title: Chief Financial Officer  
Date: 8/5/04